

HB792 – Index Post-Retirement GABA for future PERS & TRS employees

(Rep. Himmelberger/ Sen. Joe Balyeat)

The crux of this bill is the title. My purpose here today is to translate it into English, and explain why we need this bill. Here's what it does:

- A) Emphasize this point – HB792 only applies to NEW hires; existing employee pensions remain the same. Currently, PERS retirees get a 3% GABA, while TRS retirees get 1 ½%. HB792 equalizes that at 1 ½% max for both plans. This is nothing controversial; the Governor's proposal does that exact same thing.
- B) This proposal takes a further step and says that, for new hires, their post-retirement GABA will fluctuate, or index, based upon whether or not the systems are actuarially sound. If a 1½% increase is do-able without creating an actuarially unsound situation, then they get the increase. If the system is already unsound, without any increase, then they get no increase. If the system can afford an increase of something less than 1 ½% without creating actuarial unsoundness; then they get the maximum affordable increase.
 - 1) We've got a billion dollar unfunded pension liability, and this bill will help reduce the actuarially unsound portion of that liability. FYI, the actuarially unsound portion is that portion of the future pension liability which cannot be covered by current contribution rates within 30 years.
 - 2) This bill gives at least some flexibility to an otherwise totally rigid and unworkable pension system. Why is it unworkable? Because of the courts, of course. Some judge somewhere sometime ruled that once a current employee is promised a retirement benefit, that promise cannot be revoked. Even if that promise is just some future claim to guaranteed annual increases which don't reflect the market.
 - 3) This gives employees an increase if the market returns are sufficient; but gives the state flexibility if those market returns are not sufficient.
 - 4) Grants some safeguards against the one-way ratchet.